UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1997/27
24 June 1997

ORIGINAL: ENGLISH

Third regular session 1997
15-19 September 1997, New York
Item 3 of the provisional agenda
UNOPS

AUDIT REPORT

Follow-up to recommendations of the report of the Board of Auditors (A/51/5/Add.10)

Report of the Executive Director

I. PURPOSE

1. The Executive Director brings to the attention of the Executive Board the report of the Board of Auditors relating to the United Nations Office for Project Services (UNOPS) for the biennium ending 31 December 1995 (A/51/5/Add.10).

2. In accordance with General Assembly resolution 48/216 B of 23 December 1993 (para. 7), the present document sets forth the recommendations of the Board of Auditors and also presents the UNOPS response to each recommendation, as provided to the Board of Auditors during the preparation of its report (see annex). As appropriate, the status of the implementation of the measures taken and preliminary target dates are also expressed. The Executive Director is pleased to report that UNOPS is making progress in achieving the stated goals and that efforts will continue to address outstanding issues.

3. The Executive Director notes that the information contained in the present report has also been submitted to the General Assembly in the report of the Secretary-General (A/51/488/Add.2). The Advisory Committee on Administrative and Budgetary Questions (ACABQ), having reviewed the recommendations of the Board of Auditors, noted in its report to the General Assembly (A/51/533, para. 128) that it had no special comments on that section of the audit report pertaining to UNOPS.

97-17303 (E) 220797

/...

READEX Best copy available

4. The Fifth Committee reviewed the documents cited above and accepted in its report (A/51/849) the recommendations and conclusions of the Board of Auditors and comments thereon contained in the report of ACABQ (A/51/533).

5. UNOPS also provided the Board of Auditors with a progress report on the status of implementation of the recommendations for the 1992-1993 biennium, a summary of which is included in the Board of Auditors report (A/51/5/Add.10).

II. EXECUTIVE BOARD ACTION

6. The Executive Board may wish to:

1. Take note of the comments made by the United Nations Office for Project Services in document DP/1997/27 in response to the recommendations made in the report of the United Nations Board of Auditors for the biennium 1994-1995 (A/51/5/Add.10);

2. Request the Executive Director to provide the Executive Board, at its annual session 1998, with an updated overview of the implementation of the recommendations of the Board of Auditors and an updated timetable indicating the dates when follow-up action will have been completed in the areas that need to be addressed.

Annex

EXTERNAL AUDIT 1995

Response of the General Assembly

L. United Nations Office for Project Services

39. The measures taken, or to be taken, by UNOPS to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 are described below.

Financial matters

The Board identified three areas where there remained scope for improving financial control.

Recommendation 1 (para. 9 (a))

UNOPS should report to the Executive Board on progress in finalizing its new, dedicated Financial Rules and indicate a timetable for presentation of the Rules to the Executive Board for approval (see para. 39).

UNOPS will report to the Executive Board on this matter at its 1997 annual session. As the Financial Regulations of UNOPS are an annex to those of UNDP and the UNDP Financial Regulations and Financial Rules are scheduled for revision in 1997, UNOPS will, accordingly, schedule revision and promulgation of its dedicated Financial Rules taking into consideration UNDP's future proposals for revision of its Regulations and Rules. Meanwhile, the current UNDP Financial Rules apply to UNOPS mutatis mutandis. The Executive Director considers that the present situation enables him to fulfil his responsibilities for all UNOPS activities.

Recommendation 2 (para. 9 (b))

UNOPS should issue further guidance to certifying officers to clarify that only those purchase orders or contracts signed and issued within the financial period represent valid obligations for that period (see para. 41).

UNOPS agrees and has communicated this finding to the appropriate individuals. Additionally, this matter will be addressed in the UNOPS Handbook prior to the end of 1996 and further reminders and guidance will be issued well in advance of the end of the current financial period.

Recommendation 3 (para. 9 (c))

UNOPS should closely monitor actual expenditure against budget to avoid the high incidence of overexpenditure (see para. 43).

UNOPS agrees and is actively monitoring the situation on an ongoing basis through the generation of monthly reports and through continual follow-up. At the date of this response, the number of project budgets with lifetime budget overexpenditures has been reduced to six.

Management issues

Business planning and development

The Board concluded that the UNOPS initiative in developing an annual business plan was a significant step forward for the new organization. The Board identified several areas, however, where there was scope for improving the business plan.

Recommendation 3 (para. 10 (a))

UNOPS should set realistic objectives in its business plans and consider the costs and benefits of undertaking the planned tasks (see para. 56).

Section 5 of the 1996 UNOPS Business Plan has been revised to focus on objectives rather than tasks. Additionally, section 5 now includes anticipated benefits and order of magnitude cost assessment.

Recommendation 4 (para. 10 (b))

UNOPS should assess the potential impact that the shifting composition of its portfolio could have on its financial position and set financial targets which reflect its differential income rates (see para. 59).

Section 3 of the 1996 UNOPS Business Plan analyses the impact of portfolio shifts since 1995. Section 4 includes projections of financial targets by client and by division.

Recommendation 5 (para. 10 (c))

In future business plans, UNOPS should prioritize tasks to ensure that they are implemented according to their respective importance to the organization (see para. 61).

All objectives are now prioritized in section 5 of the 1996 UNOPS Business Plan.

Recommendation 6 (para. 10 (d))

UNOPS should establish appropriate measures of success and benchmarks of current performance to assess the impact of its business plans on quality of service and client relations (see para. 67).

Measures of success are now included in section 5 of the 1996 UNOPS Business Plan.

Recommendation 7 (para. 10 (e))

UNOPS should prepare an evaluation strategy (see para. 70).

UNOPS is carrying out the evaluative activities set forth in paragraph 71 of the audit report: the UNOPS Planning and Information Division will maintain responsibility for planning, development and implementation of the Business Plan; the anticipated Finance, Control and Administration Division will evaluate performance improvements; and, in addition to the interim organizational evaluation of the UNOPS Asia Office conducted in April 1996, a follow-on evaluation of that office will be conducted in the first quarter of 1997.

Appointment and management of consultancy services

The Board concluded that UNOPS needed to improve its practices concerning the appointment and management of consultancy services.

Recommendation 8 (para. 11 (a))

UNOPS should regularly review the extent of repeat recruitment to ensure that it exercises sufficient choice in the selection of individual consultants and consultancy firms (see para. 84).

UNOPS concurs. Currently, repeat recruitment is monitored through the UNOPS Procurement Review Advisory Committee and the Projects Personnel Support Unit. In the future, however, the Finance, Control and Administration Division, to be established in the first quarter of 1997, will review these procedures with a view to further improvement.

Recommendation 9 (para. 11 (b))

UNOPS should undertake periodic analyses to identify the specialisms most in demand and any shortfalls in supply, with a view to registering individuals and firms with the required skills in advance of possible assignments (see para. 88).

UNOPS agrees and notes that, in the case of individual consultants, progress in this area depends upon resolution of the difficulties

encountered as a result of roster sharing with UNFPA and UNDP. Once this issue is resolved, UNOPS envisages a review of the rosters and expanded efforts to identify needed expertise. UNOPS will then be in a position to advertise for such expertise and to place qualified firms and individuals on the rosters. The recently established office of the Director of Operations has assumed responsibility for enhancement and systematic use of the rosters.

Recommendation 10 (para. 11 (c))

UNOPS should screen and, where appropriate, register on the consultants' roster those candidates whose details are not yet on the roster; ensure that all staff are fully trained in the use of the roster; and investigate the scope for making the roster available to the UNOPS office in Kuala Lumpur (see para. 102).

UNOPS concurs with the recommendation and is continuing to register individual consultants on the roster. Training on the use of the roster is now available to UNOPS staff as needed and systematic training sessions will be organized for 1997. The RESTRAC résumé database and 'Finder' module on CD-ROM has been available in the UNOPS Asia Office since June 1996.

Recommendation 11 (para. 11 (d))

UNOPS should undertake a review of current market rates for consultancy services, to be used as a benchmark for setting fees, and issue new guidelines to ensure that staff determine fees on a consistent and transparent basis (see para. 103).

UNOPS agrees and suggests that, in view of differing practices which exist among UNOPS, UNDP, UNICEF and UNFPA, the matter may be best dealt with in an inter-agency context. UNOPS will schedule this matter for discussion at a forthcoming inter-agency personnel meeting.

Price-setting and cost control

The Board concluded that UNOPS needed to strengthen and update its price-setting and cost control measures.

Recommendation 12 (para. 12 (a))

UNOPS should develop a workload assessment and costing system (see para. 119).

The development of such a system is included in the 1996 UNOPS Business Plan. UNOPS expects this task to be completed in the second quarter of 1997.

Recommendation 13 (para. 12 (b))

UNOPS should revise the bases for calculating Management Service Agreement fees to reflect current costs more accurately (see para. 123).

UNOPS intends to introduce up-to-date service unit costs in 1997, to clearly document the rationale therefor and to revise these cost schedules as appropriate. The necessary condition for accomplishing this task is the completion of the reorganization process which establishes a new basis for calculating costs. The structural aspects of reorganization will be completed in 1997 and any necessary revision in Management Service Agreement fee structures will be made by the end of 1997.

Recommendation 14 (para. 12 (c))

UNOPS should establish a formal agreement with UNDP that country offices provide UNOPS with a breakdown of their estimated costs in support of Management Service Agreement activities in the field (see para. 128).

UNOPS is currently pursuing the finalization of an umbrella agreement with UNDP which will permit the establishment of detailed and accurate cost breakdowns. This agreement is expected to be finalized before the end of 1996.

Recommendation 15 (para. 12 (d))

UNOPS should assess and document, as part of the project acceptance process, whether the costs of delivering a project are likely to be met by the charges or fees set by or agreed with the relevant clients (see para. 131).

UNOPS recently established the office of the Director of Operations and it has assumed the administration of the project acceptance process. The Executive Director has requested the Director of Operations to revisit the question of a project-by-project assessment of costs and fees.

Recommendation 16 (para. 12 (e))

UNOPS should assess the levels of annual surpluses and accumulated unspent resources to determine levels which are reasonable and consistent with its business objectives (see para. 139).

UNOPS will submit a report on this issue at the 1997 annual session of the Executive Board.